

# Business Capital Spending Expectations, 1973

**BUSINESSMEN** are scheduling a 13 percent gain in expenditures for new plant and equipment in 1973, according to the annual survey conducted by BEA in late November and December of 1972. Outlays in 1973 are expected to total \$106 billion, compared with \$88.5 billion now estimated for 1972 and \$81.2 billion in 1971.<sup>1</sup>

The quarterly survey conducted by BEA in late October and November (reported in the December Survey) revealed that businessmen expect outlays to rise substantially in the first half of 1973. Although that survey is not directly comparable with the annual survey reported here, the projection now available for the full year seems to suggest that capital spending will continue rising throughout the year.

The projected 1973 spending advance—if realized—will be the largest year-over-year increase since 1966, when outlays rose 16.7 percent. The expected increase this year reflects relatively greater strength in manufacturing than in the nonmanufacturing sector. This pattern also characterized the expansion in 1966 but has not prevailed generally since 1967; from 1966 to 1972, manufacturing outlays have increased at a compound annual rate of 1.7 percent while nonmanufacturing investment has risen at a compound annual rate of 8.4 percent.

Capital expenditures by manufacturers are expected to total \$35.4 billion in 1973, a 13½ percent increase over 1972 compared with a

12½ percent increase, to \$64.6 billion, for the nonmanufacturing industries. In manufacturing, sharp advances are planned by producers of nonferrous metals (43 percent), rubber (36 percent), stone-clay-glass (29 percent), and paper (24 percent). Increases ranging between 14 and 19 percent are projected by the iron and steel, motor vehicle, and chemical industries.

Among the nonmanufacturing industries, mining and electric utility companies expect the strongest increases, about 17 percent. Outlays projected by the electric companies for 1973 are more than 3 times their 1966 investment, an expansion for the period

**Table 1.—Expenditures for New Plant and Equipment by U.S. Business,<sup>1</sup> 1971-73**

	1971	1972*	1973*	1971-72	1972-73
	Billions of dollars			Percent change	
All industries.....	87.21	88.50	106.00	8.9	13.1
Manufacturing.....	29.09	31.86	35.42	9.5	11.4
Durable goods <sup>2</sup> .....	14.15	15.53	18.11	9.6	16.7
Primary metals <sup>3</sup> .....	2.78	2.83	3.64	1.8	29.1
Steel, iron, and allied products.....	1.37	1.24	1.51	-9.5	19.2
Nonferrous.....	1.08	1.23	1.74	13.0	42.8
Electrical machinery.....	2.14	2.27	2.45	6.2	8.5
Machinery, except electrical.....	2.80	2.89	3.01	3.0	4.3
Transportation equipment.....	2.13	2.33	2.57	12.9	10.5
Motor vehicles.....	1.54	1.80	2.05	16.0	14.3
Aircraft.....	.38	.49	.68	28.9	39.6
Stone, clay, and glass.....	.80	1.10	1.51	37.5	29.4
Other durables <sup>4</sup> .....	3.45	3.85	4.61	11.9	19.6
Non-durable goods <sup>5</sup> .....	15.34	16.33	17.31	-1.2	10.8
Food including beverage.....	2.69	2.67	2.83	-0.4	6.0
Textile.....	.41	.71	.65	70.0	-9.3
Paper.....	1.25	1.34	1.66	6.7	24.0
Chemical.....	3.44	3.39	3.28	-1.6	14.7
Petroleum.....	6.85	6.34	5.63	-8.3	8.2
Rubber.....	.84	1.04	1.44	23.4	38.0
Other non-durable <sup>6</sup> .....	1.15	1.28	1.20	8.9	-3.7
Nonmanufacturing.....	57.22	57.38	64.47	12.0	12.5
Mining.....	2.13	2.45	2.88	15.3	17.5
Railroad.....	1.07	1.00	1.06	-7.5	10.4
Air transportation.....	1.88	2.52	2.41	34.2	-4.5
Other transportation.....	1.38	1.41	1.48	1.0	5.0
Public utilities.....	15.30	17.11	18.78	11.8	10.2
Electric.....	12.89	14.84	17.02	15.1	14.8
Gas and other.....	2.44	2.27	2.73	-6.2	20.6
Communication, commerce, and other <sup>7</sup> .....	24.82	22.08	24.14	-11.3	9.2

\* Preliminary.

1. Data exclude expenditures of agricultural business and outlays charged to current account.

2. Estimates are based on expected capital expenditures reported by business in late November and December 1972. The estimates have been adjusted when necessary for systematic biases in expectational data.

3. Includes industries not shown separately.

4. Includes trade, service, construction, finance, and insurance.

NOTE.—Details may not add to totals because of rounding. Source: U.S. Department of Commerce, Bureau of Economic Analysis.

1966-73 far exceeding that for any other major industry. Sizeable increases in 1973 are also planned by the railroad, gas utility, and "communication, commercial, and other" groups. Airlines, which increased investment sharply in 1972, expect a decrease of about 5 percent in 1973.

## Sales expectations

Manufacturers expect their sales to increase 9½ percent in 1973, compared to a 12 percent actual rise now estimated for 1972. A year ago, manufacturers looked for an 8½ percent advance for 1972. Retailers expect a 10 percent increase in sales this year compared with an estimated 9½ percent in 1972. Wholesalers expect a 7 percent increase compared with an estimated 11½ percent gain in 1972. Public utilities expect a 9 percent rise in revenues for 1973 compared with about 11 percent estimated in 1972.

**Table 2.—Business Sales, Percent Changes 1972 and 1973**

	1972		1973
	Expected as reported in:		Expected as reported in Dec, 1972
	Dec. 1971	Feb. 1972	Actual <sup>1</sup>
Manufacturing <sup>2</sup> .....	8.5	8.5	12.1
Durable goods <sup>3</sup> .....	8.7	8.5	14.1
Primary metals.....	10.0	10.5	13.1
Electrical machinery.....	8.9	9.9	14.8
Machinery except electrical.....	0.4	10.3	14.2
Transportation equipment.....	4.8	5.0	12.6
Stone, clay, and glass.....	8.0	6.7	23.6
Non-durable goods <sup>4</sup> .....	8.5	9.3	8.8
Food including beverage.....	7.7	7.6	10.1
Textile.....	12.3	10.0	14.8
Paper.....	6.2	8.0	12.3
Chemical.....	8.6	8.0	3.4
Petroleum.....	8.1	7.7	6.7
Rubber.....	10.4	10.1	10.2
Trade.....	6.9	6.6	10.4
Wholesale.....	6.0	6.9	11.6
Retail.....	8.9	8.2	9.6
Public utilities.....	10.5	10.5	11.3

1. Sources: Manufacturing data are from Bureau of the Census, Current Industrial Reports, Series M-3, for first 11 months of 1972, and BEA estimates for December 1972. Trade data are from Bureau of the Census, Current Business Reports, Monthly Wholesale Trade and Monthly Retail Trade, and BEA estimate for December 1972 wholesale trade figures. Public utility figures are estimates by BEA on basis of data collected in the annual business investment surveys.

2. Includes industries not shown separately.

1. The 1971 figure is an estimate of actual expenditures. For actual expenditures in earlier years, see the article on pages 26-49 of the January 1970 Survey.

The 1972 figure is based on estimated actual expenditures in the first three quarters plus expectations for the fourth quarter reported in the December Survey. That expectations figure was adjusted for systematic biases by the procedures described on pages 26-29 of the February 1973 Survey.

The 1973 expectations reported here have been adjusted for systematic biases when necessary. Before adjustment, expenditures were expected to be \$64.4 billion for all industries, \$35.4 billion for manufacturing, and \$28.8 billion for nonmanufacturing; the net effect of the adjustments was to lower the manufacturing total by \$1.1 billion and to raise the nonmanufacturing total by \$3.7 billion. The bias adjustments, which are computed separately for each major industry, were applied only when expected spending deviated from actual spending in the same direction for 6 of the 8 years 1967 through 1972—the only years for which such annual data are available. When this criterion was met, the adjustment used was the median deviation between actual and expected spending in the 6 years. These annual bias adjustments are based on less comprehensive data than the adjustments which will be used in calculating expected 1973 spending from responses to the quarterly survey to be taken late this month and in February and to be reported in March. For that survey, the bias adjustments are based on the experience of the quarterly data for the entire postwar period. Thus, the results to be released in March may differ from the results reported here not only because of changes in the underlying data but also because of the use of more comprehensive information on bias adjustment.